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Press Release

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MULTISTATE AGREEMENT WITH STATE FARM WILL RESULT IN \$40 MILLION TO CONSUMERS

Attorney General Darrell McGraw announced today that West Virginia and 48 other states, including the District of Columbia, have reached an innovative agreement with State Farm Mutual Insurance Company. Under the settlement agreement, State Farm will pay \$40 million in compensation nationwide to consumer owners of cars, SUVs, and trucks. In addition, State Farm will pay the expense for the major project of identifying the vehicles, tracing the current owners, contacting owners, taking claims from owners, and making compensation payments. State Farm has also agreed to change its practices to conform to the titling laws in all states.

The agreement resulted after State Farm approached the states and indicated that, after an internal review, it was unable to confirm that in a small percentage of cases it had properly titled vehicles it had taken ownership of from policyholders due to damage or theft. In most states, depending on factors such as vehicle age and extent of damage, insurance companies taking ownership when cars have been declared total losses must obtain "branded titles," indicating the vehicles are "salvage," "reconstructed," or similarly-named titles (states use various names for such vehicles.) The settlement resulted from an internal audit that State Farm performed. State Farm's records showed that it had properly titled approximately 2.4 million vehicles in recent years that required a "branded title," but that it could not confirm whether a much smaller number had been properly titled. Payment will go to the current owners of vehicles that may require branded titles.

Under the agreement, State Farm will work with state departments of motor vehicles in the coming months to determine in each state the specific vehicles which require a branded title. The owners of those vehicles will receive a letter from the consumer's home state Attorney General with a claim form to complete and return to an independent Claims Administrator company already approved by the States to administer the notification and compensation program. It is expected that current owners of eligible vehicles will be contacted by Fall 2005, after the identification process is completed. After all claims are in, the amount each consumer will receive will be finalized and checks mailed. Consumers who complete a claim form and are approved will receive a compensation payment from State Farm later this year or early 2006.

Attorney General McGraw stated, "It is rare that a company comes to us, discloses a problem, and presents a viable solution to correct the problem and help consumers. We hope this agreement will encourage other companies to set forward when necessary, take responsibility, improve practices, and make things right for consumers."

The states estimate that approximately 30,000 consumers nationwide will be eligible for the payments and that most payments are likely to range from \$800 to \$1,850.

If you would like more information, please contact Attorney General McGraw's Consumer Protection Division at 1-800-368-8808

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